

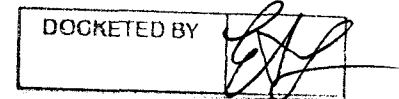
ORIGINAL

October 2, 2014

Arizona Corporation Commission
DOCKETED

OCT 03 2014

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007



Dear Sirs:

This letter is to certify that an original and thirteen copies of the foregoing Direct Testimony pertaining to Docket No. W-01303A-09-0343 and Docket No. SW-01303A-09-0343 have been hand delivered and filed with Document Control, Arizona Corporation Commission, 1200 West Washington Street, Phoenix, AZ 85007 as instructed by Thomas H. Campbell and Michael T. Hallam, Attorneys for EPCOR Water Arizona, Inc.

Furthermore, copies of the attached list have also be mailed to the current Service List as noted on the ACC website (63 entities) as attached.

Respectfully submitted,

Greg Eisert, Director
Chairman, Government Affairs Committee
Board of Directors

/cjs

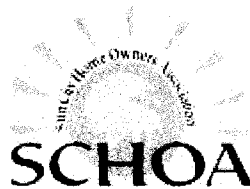
Enclosure

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Sun City's Advocate
Since 1963

**Docket No.: W-01303A-09-0343
SW-01303A-09-0343**

**DIRECT TESTIMONY
OF
GREG EISERT
ON BEHALF OF
SUN CITY HOME OWNERS ASSOCIATION
September 30, 2014**

Greg Eisert testifies that:

I am appearing on behalf of the Sun City Home Owners Association (SCHOA). SCHOA has intervened in this proceeding on behalf of Sun City wastewater users that are customers of EPCOR Water Arizona, Inc. (EPCOR). The purpose of my testimony is to address our disagreement with EPCOR's position regarding full consolidation of its wastewater systems as expressed by EPCOR's representative Shawn Bradford in testimony taken and dated 8 September 2014.

EPCOR supports full consolidation of its Arizona wastewater districts. By doing so, the company recommends numerous core rate adjustments ranging from an overall average increase of 89% to the citizens of the Sun City District to a decrease of 60%+ to the citizens of the Agua Fria District. In its testimony, EPCOR ponders the reasonableness of long-term full consolidation, but trivializes the proof in the number of calculations to get there. If one diligently studies the data offered as evidence for both the alternatives, as well as the support for full consolidation, I believe they will agree, there is no solid evidence leading to any change regarding the initial decision of the Commission made in 2012 not to fully consolidate.

To penalize the Sun City Ratepayers (45%+ of the EPCOR ratepayer base) to the tune of 89%, to subsidize the shortcomings and poor planning of others is unconscionable. The numbers simply do not add up now any more than they did in 2012. There are approximately 28,000 Sun City District users of the EPCOR wastewater system. EPCOR lists 22,116 customers which is misleading as there are 6,000+ condominium users in Sun City which are consolidated under each Association thus the lower number listed as customers. The listing of the lower number depicts a lesser negative impact for the Sun City

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District ratepayers which is actually not accurate. EPCOR forecasts additional capital improvement costs of \$9.3M over the next five (5) years for Sun City District Ratepayers. At the proposed consolidation rate over a five-year period, EPCOR would collect an additional \$27M to cover the projected \$9.3M expenditure/cost increase. If one were to forecast another \$12M in capital cost expenditures over the next five years, the same increase would again produce \$27M to cover the \$12M projection. Therefore, over a ten-year period, given the noted projections, it would cost Sun City Ratepayers an additional \$32.7M beyond the projected capital cost improvements due to full consolidation – Unconscionable!

The Sun City Wastewater District is serviced by the City of Tolleson treatment plant. Youngtown is also part of this district and uses the Tolleson facility. EPCOR is responsible for the transmission capital improvement costs and pays a contracted fee to the City of Tolleson for wastewater treatment. Sun City/Youngtown has not experienced growth since the mid '80s as housing is finite. Its wastewater usage is noted at 5.2MGPD (million gallons per day). The Tolleson plant currently has excess capacity of 9.4MGPD. We understand the Tolleson facility offers cost advantages over current EPCOR facilities with the capacity to assist troubled communities with cost issues. All other districts are currently serviced by EPCOR owned facilities. EPCOR did not offer any justifiable proof to offset Sun City's position, as well as the Commission's current 2012 ruling, against full consolidation.

The northeast section of the Agua Fria Wastewater District consisting of the planned communities of Corte Bella, Crossriver, Rancho Silverado, Rio Sierra, Dos Rios, Rancho Cabrillo and Coldwater Ranch along with the Sun City West District all are serviced by EPCOR's NW Valley Regional Water Reclamation Facility located in the Northern section of Sun City. The southern section of the Agua Fria Wastewater District consisting of the planned communities of Russell Ranch and Verrado are serviced by independent facilities owned and operated by EPCOR. The transmission costs as well as plants are operated by EPCOR and we agree they operate on a common process. However, it may be interesting to consider what the Tolleson facility could offer Russell Ranch and Verrado. The evidence submitted by EPCOR still offers zero logic for full consolidation of all districts, particularly that of Sun City.

Further, on March 13, 2014 and April 10, 2014 (Docket Dates), the Arizona Corporation Commission (ACC) received petitions from the communities of Corte Bella, Cross River, Dos Rios and Coldwater Ranch requesting remedy for their exorbitant high wastewater rates. The consolidated signatory count was approximately 3,400. The petitions clearly listed the signatory remedy expectations. In no case, was there mention nor expectation thereof for "full consolidation" of the EPCOR wastewater districts nor any mention of any action relating to the Sun City wastewater district.

There was no complaint or mention of "full consolidation" until mentioned on page 6, item (3), contained in ACC's Staff recommendation document dated July 8, 2014.

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The matter of "full consolidation" of EPCOR water/wastewater districts was ruled not in the best interest of the public in 2012. It is improper to be discussing and/or voting to overturn a previous decision without a full-rate case and should be removed from the current proceedings.

The Anthem and Mohave Districts are so far from adding value to the concept of full consolidation we have no further comment at this time.

Through the implementation of EPCOR's acquisition for growth policy, they have either purchased competitors outright or obtained territory extensions regarding some of the more contentious areas exhibiting exorbitantly high rates. Although, not necessarily the fault of EPCOR for such rate situations, it is certainly not in the best interest of the Sun City

Ratepayers to be required to subsidize such unfortunate situations. As noted in our Summary, the numbers exacerbate the poor reasoning of full consolidation for the Sun City District Ratepayers.

All the nice words mentioned within the EPCOR Testimony, "In the long run, all wastewater customers will benefit from predictable, uniform rate structures, reduced regulatory expenses and increased efficiencies" sound good, but are likely to come up way short of actual. Further, given the likelihood of EPCOR's trend of growth through acquisition may prove detrimental to a consolidated customer base under the regulated umbrella. There is a long history of poor outcomes via acquiring companies to successfully consolidate operations, cost structures, etc. Under a scenario not necessarily tied to competitive forces, operational prowess and accountability, the ratepayer likely comes out on the short end. If you don't believe this, ask the ratepayers screaming about their crazy high costs of service.

It seems we are also dealing with an outdated clause in our State Constitution that restricts our Commissioners from delivering viable alternative solutions for the issues we are currently presented with. I would challenge our Commissioners, Legislators and Utility Executives to develop a State Constitutional Amendment for voter approval.

In the meantime, it is SCHOA's opinion that given the facts as have been thoroughly examined, debated and decided upon in 2012, by stakeholders and the Commission; that full consolidation of the EPCOR wastewater districts remains an unsuitable solution and should be removed from the current proceedings.

Respectively submitted,



Greg Eisert
Sun City Homeowners Association
Director, Chairman Government Affairs

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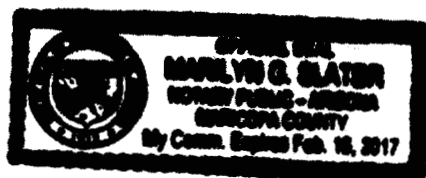


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State of Arizona, County of Maricopa

On this 10 day of Sept, 2014, before me personally
appeared Greg E. Gest, whose identity was proven
to me on the basis of satisfactory evidence to be the person who
he or she claims to be, and acknowledged that he or she claims
to be, and acknowledged that he or she signed the above/attached
document.

Marilyn G. Slater
Notary Public
(seal)



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Service List

Service List:

Company	Contact	Address	Date Added
	Jay Shapiro	Patrick J. Black Fennemore Craig, P.C. 2394 East Camelback Road, Suite 600 Phoenix, Arizona 85016	9/23/2014
	Mike Smith	Sierra Montana Homeowners Association c/o Rossmar & Graham 9362 E. Raintree Drive Scottsdale, Arizona 85260	9/22/2014
	Greg Eisert	10401 W. Coggins Drive Sun City, Arizona 85351	9/22/2014
	Albert Gervenack	14751 W. Buttonwood Drive Sun City West, Arizona 85373	9/22/2014
	Karen Proctor	11716 W. Villa Chula Court Sun City, Arizona 85375	9/22/2014
	Robert McKenzie	41633 N. Panther Creek Trail Anthem, Arizona 85086	9/22/2014
	Francis Noe	11756 W. Daley Lane Sun City, Arizona 85373	9/22/2014
	Douglas Edwards	13517 W. Sola Sun City West, Arizona 85375	9/22/2014
	Regina Shanney-Saborsky	c/o Corte Bella Country Club HOA 22155 North Mission Drive Sun City West, Arizona 85375	9/22/2014
	Diane Smith	13234 W. Cabrillo Drive Sun City West, Arizona 85375	9/22/2014
	Norman James	Fennemore Craig, P.C. 2394 E. Camelback Rd, Ste 600 Phoenix, Arizona 85016	8/29/2014
	W.R. Hansen	President, Property Owners and Residents Assoc. 13815 W. Camino del Sol Sun City West, Arizona 85375	8/19/2014
	Robert Metli	2398 E. Camelback Rd., Ste. 240 Phoenix, Arizona 85016	8/7/2014
	Peter Corpus	Rochanee Corpus 8425 N. 181st Drive Waddell, Arizona 85355	8/7/2014
	Nicholas Mascia	1600 W. Broadway Rd., 200 Tempe, Arizona 85282	8/7/2014
	William Lipscomb	14976 W. Bottletree Ave. Surprise, Arizona 85374	8/7/2014
	Peggy Rahkola	17221 N. Citrus Surprise, Arizona 85374	8/7/2014
	Jim Weihman	17200 W. Bell Rd. Surprise, Arizona 85374	8/7/2014
	Kenneth Hewitt	18729 N. Palermo Court Surprise, Arizona 85387	8/7/2014
	Mike Albertson	6634 N. 176th Ave. Waddell, Arizona 85355	8/7/2014
	Michael Bailey	16000 N. Civic Center Plaza Surprise, Arizona 85374	8/7/2014

jshapiro@fclaw.compblack@fclaw.comnjames@fclaw.compresident@pora.orgrjmetli@mungerchadwick.com

	Kevin Chiariello	16074 W. Christy Surprise, Arizona 85379	8/7/2014
	Brian O'Neal	21373 W. Brittle Bush Ln. Buckeye, Arizona 85396	8/7/2014
	William and Erin Parr	18044 W. Georgia Ct. Litchfield Park, Arizona 85034	8/7/2014
	Sharon Wolcott	20117 N. Painted Cove Ln. Surprise, Arizona 85387	8/7/2014
	Craig & Nancy Plurnmer	17174 W. Saguaro Ln. Surprise, Arizona 85388	8/7/2014
	Garry Hays	1702 E. Highland Ave. - 204 Phoenix, Arizona 85016	8/7/2014
	Jim Oravetz	1600 W. Broadway Rd., Ste. 200 Tempe, Arizona 85282	8/7/2014
	Jan Garcia	1600 W. Broadway Rd., Ste. 200 Tempe, Arizona 85282	8/7/2014
	Owen Dejanovich	P.O. Box 72 Waddell, Arizona 85355	8/7/2014
	Stan Mucha	17300 N. Sun Valley Pkwy. Surprise, Arizona 85374	8/7/2014
	Susan Harr	13201 N. 35th Ave., Ste. B-3 Phoenix, Arizona 85029	8/7/2014
	Jared Evenson	1600 W. Broadway Rd., Ste. 200 Tempe, Arizona 85282	8/7/2014
	Dana Rosenbaum	P.O. Box 25466 Tempe, Arizona 85285-5466	8/7/2014
	Timothy Duffy	Cindy J. Duffy 19997 N. Half Mood Dr. Surprise, Arizona 85374	8/7/2014
	COASH & COASH	1802 North 7th Street Phoenix, Arizona 85006	8/7/2014
	Jerome Ellison II	P.O. Box 25466 Tempe, Arizona 85285-5466	8/7/2014
	Tammy Ryan	200 West Washington, 9th Fl Phoenix, Arizona 85003	12/19/2012
	Lynn Krupnik	6720 North Scottsdale Rd Ste 261 Scottsdale, Arizona 85253	12/19/2012
	George Turner	P O Box 12560 Glendale, Arizona 85318	5/16/2012
	Cynthia Campbell	200 W. Washington, Ste. 1300 Phoenix, Arizona 85003-1611	9/16/2011
	Jason Gellman	Roshka DeWulf & Patten, PLC One Arizona Center 400 E. Van Buren St. - 800 Phoenix, Arizona 85004	7/22/2011
	Gary Verburg	200 W. Washington St., Ste. 1300 Phoenix, Arizona 85003-1611	7/5/2011
	Chad Kaffer	3200 N. Central Ave., Ste. 1200 Phoenix, Arizona 85012	6/30/2011
	Frederick Botha	23024 N. Giovota Drive Sun City West, Arizona 85375	6/30/2011
	Michele Van Quathem	Ryley Carlock & Applewhite One North Central Suite 1200 Phoenix, Arizona 85004-4417	4/19/2011

Gary.verburg@phoenix.gov

mvanguathem@rcalaw.com

	Craig Marks	10645 N. Tatum Blvd. Suite 200-676 Phoenix, Arizona 85028	4/4/2011	Craig.marks@azbar.org
	Lawrence Robertson, Jr.	PO Box 1448 Tubac, Arizona 85646	4/4/2011	
	Scottsdale Citizens for Sustainable Water	7322 East Sierra Vista Drive Scottsdale, Arizona 85250-4526	5/7/2010	
	Thomas Campbell	Lewis and Roca, LLP 40 N. Central Ave. Phoenix, Arizona 85004-4429	4/19/2010	tcampbell@lrlaw.com mhallam@lrlaw.com
	Philip Cook	10122 West Signal Butte Circle Sun City, Arizona 85373	4/19/2010	
	Joan Burke	Law Offices of Joan S. Burke, P.C. 1650 N. First Ave. Phoenix, Arizona 85003	4/19/2010	Joan@jsburkelaw.com
	Larry D. Woods	15141 West Horseman Lane Sun City West, Arizona 85375	4/19/2010	
	Marshall Magruder	P.O. Box 1267 Tubac, , Arizona 85646	4/8/2010	mmgruder@earthlink.net
	Andrew Miller	6401 E. Lincoln Drive Paradise Valley, Arizona 85253	3/16/2010	amiller@paradisevalleyaz.gov
	Jeffrey Crockett	One E. Washington St., - 2400 Phoenix, Arizona 85004	3/9/2010	jcrockett@bhfs.com
	Bradley Herrema	21 East Carrillo Street Santa Barbara, California 93101	2/22/2010	Bherrema@BHFS.com
	Greg Patterson	Water Utility Association of Arizona 916 W. Adams, Suite 3 Phoenix, Arizona 85007	2/16/2010	Gpatterson3@cox.net
	Judith Dworkin	4250 N. Drinkwater Blvd., Fourth Floor Scottsdale, Arizona 85251-3693	11/19/2009	
	Daniel Pozefsky	1110 West Washington, Suite 220 Phoenix, Arizona 85007	9/4/2009	
	Steve Olea	1200 W. Washington St. Phoenix, Arizona 85007	8/26/2009	
	Janice Alward	1200 W. Washington Phoenix, Arizona 85007	7/2/2009	
Arizona Corporation Commission	Lyn Farmer	1200 W. Washington Phoenix, Arizona 85007-2927	7/2/2009	